

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 /101 W
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FM AMEMBASSY BONN

TO SECSTATE WASHDC 9806

DEPARTMENT TREASURY

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E.O. 11652: N/A

TAGS: ECON, EFIN, GW

SUBJECT: FRG COMMENTARY ON FOREIGN EXCHANGE MARKET

UNREST

1. SUMMARY: CRITICAL COMMENTARY BLAMING U.S. ECONOMIC AND FINANCIAL POLICY FOR RECENT UNREST ON FOREIGN EXCHANGE MARKETS GATHERED STEAM TODAY IN THE FRG PRESS AS THE DOLLAR SLIDE CONTINUED. AT THE FIXING, THE DOLLAR FELL BELOW THE \$1 EQUALS DM 2.28 MARK TO DM 2.2793 COMPARED TO TUESDAY'S FIXING OF \$1 EQUALS DM 2.2890. END SUMMARY.

2. IN BOTH DIE WELT AND HANDELSBLATT NEWSPAPERS, FINANCIAL REPORTING ON THE UNSETTLED CONDITIONS ON FOREIGN EXCHANGE MARKETS SLAPPED AT U.S. ECONOMIC POLICY. DIE WELT HIGHLIGHTED THE EXPECTED MAJOR SWING IN U.S. TRADE AND CURRENT ACCOUNTS 1977 OVER 1976 AND CONCLUDED THAT SINCE THE U.S. IS FLOODING THE WORLD WITH BILLIONS OF NEWLY-PRINTED DOLLARS, SEEMINGLY WITHOUT CONCERN, IT IS LITTLE WONDER THAT TRUST IN THE DOLLAR IS WANING. HANDELSBLATT, IN REVIEWING RECENT DEVELOPMENTS, CHARACTERIZED THE FALLING EXCHANGE RATE AS AN UNCLASSIFIED

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OPEN EXPRESSION OF BANKERS DISPLEASURE WITH U.S., FINANCIAL POLICIES.

3. DR. WILFRIED GUTH OF THE DEUTSCHE BANK, ADDRESSING THE ECONOMIC JOURNALISTS CLUB IN FRANKFURT, IS REPORTED TO HAVE LAID THE BLAME FOR THE RECENT EXCHANGE MARKET DEVELOPMENTS ON STATEMENTS BY SECRETARY

BLUMENTHAL. GUTH ACCORDING TO TICKER REPORTS CONTINUED THAT HE FOUND IT IMPOSSIBLE TO UNDERSTAND THAT BLUMENTHAL PRESENTED THE SHOCKING DEVELOPMENT OF THE U.S. CURRENT ACCOUNT AS A VIRTUE DESIGNED TO AID THE STIMULATION OF THE WORLD ECONOMY. ACCORDING TO ONE REPORT GUTH SAID THAT THE U.S. ADMINISTRATION IS BUILDING A NEW DEFENSE LINE FOR THE DOLLAR AT ABOUT \$1 EQUALS DM 2.25. ANOTHER REPORT HAS IT THAT GUTH SAID THAT BECAUSE OF THE U.S. POLICY (OF NON-INTERVENTION) OTHER CENTRAL BANKS NOW HAD TO PROCEED ON THE ASSUMPTION THAT THE FALL OF THE DOLLAR WOULD NOT REACH A LINE OF RESISTANCE UNTIL \$1 EQUALS DM 2.25 ON EVEN DM 2.20.
CASH

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Message Attributes

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Disposition Approved on Date:
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Disposition Comment:
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